

**Calendar No. 672**

106TH CONGRESS }  
2d Session }

SENATE

{ REPORT  
106-337 }

REPORTS CONSOLIDATION ACT OF 2000

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R E P O R T

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

TO ACCOMPANY

S. 2712

TO AMEND CHAPTER 35 OF TITLE 31, UNITED STATES CODE, TO  
AUTHORIZE THE CONSOLIDATION OF CERTAIN FINANCIAL AND  
PERFORMANCE MANAGEMENT REPORTS REQUIRED OF FEDERAL  
AGENCIES, AND FOR OTHER PURPOSES



JULY 11, 2000.—Ordered to be printed

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REPORTS CONSOLIDATION ACT OF 2000

JULY 11, 2000.—Ordered to be printed

Mr. THOMPSON, from the Committee on Governmental Affairs,  
submitted the following

REPORT

[To accompany S. 2712]

The Committee on Governmental Affairs, to which was referred the bill (S. 2712) to amend chapter 35 of title 31, United States Code, to authorize the consolidation of certain financial and performance management reports required of Federal agencies, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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I. PURPOSE AND SUMMARY

S. 2712, the “Reports Consolidation Act of 2000,” authorizes Federal agencies to consolidate into one annual report several different financial and performance management reports now required by law. The consolidated reports would present in one document a comprehensive and integrated picture of each agency’s performance. As such, they would be more useful to Congress, the Executive Branch, and the public. The Office of Management and Budget (OMB) had temporary authority to consolidate reports on a pilot basis, but that authority expired in April of this year. S. 2712 restores the consolidation authority and makes it permanent. The bill

also contains several enhancements designed to make the reports more useful.

## II. BACKGROUND

Government agencies currently are required to submit financial or performance management reports under a number of laws, including the Federal Managers' Financial Integrity Act, 31 U.S.C. § 3512(d)(3), the Chief Financial Officers Act (CFO Act), 31 U.S.C. § 902(a)(6), the Government Management Reform Act, 31 U.S.C. §§ 3515, 3521(f), and the Government Performance and Results Act (GPRA), 31 U.S.C. § 1116. These requirements sometimes ask for similar information in different formats, causing duplication of effort on the part of agencies. They also provide information in a scattershot way that is not fully useful to the agency in question, the Congress, or the public.

Pursuant to authority provided in the Government Management Reform Act, 31 U.S.C. § 501 note, OMB instituted a pilot project in Fiscal Year (FY) 1995 to produce a single annual consolidated agency report linking together information contained in separate reports submitted under the laws listed above. These consolidated reports typically were referred to as "Accountability Reports." They were intended to provide consolidated analyses of both financial and performance management data in an easily understandable and useful format. The pilot project initially involved six agencies, but added many more agencies in subsequent years. The authority for the pilots was originally scheduled to expire at the end of December 1999. However, it was extended through April 2000 in order to permit agencies to submit consolidated reports covering their activities for FY 1999.

## III. DISCUSSION

As previously noted, S. 2712 provides permanent and enhanced authority for the consolidation of financial and performance management reports. Enactment of S. 2712 this year would permit agencies to submit consolidated reports for their FY 2000 activities. This bipartisan bill was sponsored jointly by Chairman Thompson and the Committee's Ranking Member, Senator Lieberman. It has the support of OMB and the CFO Act agencies. The principal features of the bill are described below.

The bill authorizes agencies, with the concurrence of OMB, to consolidate a number of financial and performance management reports they now submit to the Congress, the President, or OMB under specified provisions of law. The most significant of these reports are GPRA Annual Program Performance Reports and annual reports on the agency's financial statements under the CFO Act. The bill also authorizes agencies to include other statutorily required reports on financial or performance management if the agency head determines that their inclusion would enhance the usefulness of the information reported and consults in advance with relevant Congressional committees. Agencies could adjust the due dates of the reports in order to facilitate their consolidation. The consolidated report would be submitted annually to the President, the Director of OMB, and appropriate committees and subcommittees of the Congress.

Effective for FY 2002, the deadline for submission of the consolidated report would be 150 days after the end of the agency's fiscal year. This equates to March 1 for the vast majority of federal agencies, which operate on the standard October 1 through September 30 federal fiscal year cycle. However, for those entities that are permitted by law to use the calendar year as their fiscal year, the deadline would be June 1. The bill also amends GPRA to impose a 150-day deadline for submission of annual Performance Reports even if they are not included in the consolidated report. The current deadline for Performance Reports is March 31. This amendment likewise is effective for FY 2002.

The purpose of the timing changes is to make GPRA Performance Reports more useful for the budget cycle. The Committee agreed to postpone the mandate for March 1 submission until FY 2002 in order to ease potential transition problems. Specifically, OMB expressed concern that, in some cases, an immediate transition to March 1 could unduly burden agencies that rely on States and other third parties who provide performance data for the agency reports or, alternatively, might result in less complete reports. While the Committee appreciates these concerns, integration of the Performance Reports with annual budget decisions is a key objective of GPRA that should be accomplished as soon as possible. Therefore, the Committee encourages agencies to submit their FY 2000 and 2001 Performance Reports by March 1 or even earlier unless they face specific transition problems such as those cited by OMB. In this regard, the Committee notes that many agencies were able to submit their FY 1999 Performance Reports on or before March 1 of this year.<sup>1</sup>

If a consolidated report includes the agency's GPRA Performance Report, it must be called a "Performance and Accountability Report." This is important to ensure transparency. Several agencies incorporated their FY 1999 Performance Reports into a document they described only as their "Accountability Report." As a result, those interested in the agency's Performance Report had trouble identifying and locating it.

A consolidated report that does not incorporate the agency's GPRA Performance Report must include a summary of the key aspects of the Performance Report. The Committee believes it is important for agencies to link financial management and program results information in order to provide an integrated and comprehensive picture of the agency's performance. Therefore, even if an agency chooses to consolidate only its financial reports into an Accountability Report, that report should highlight the most important results of the agency's program performance. The better Accountability Reports already do this.

The consolidated report must include a statement by the agency's Inspector General (IG) that describes the agency's most serious management and performance challenges and assesses the agency's progress in addressing them. The IG must provide this statement to the agency head at least 30 days before the due date of the consolidated report. The agency head may comment on the IG's statement but cannot change it. In the Committee's view, no comprehen-

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<sup>1</sup> Some of the agencies that reported by March 1 of this year were the Social Security Administration and the Departments of Defense, Education, Health and Human Services, and Interior.

sive report on an agency's performance would be complete without an independent assessment by the IG.

The Committee decided that the best approach was to include the IG statement on the agency's most serious challenges. This, in effect, codifies the practice of the past three years whereby IGs for each cabinet department and major independent agency have reported to Congress on the 10 or so most serious problems facing their agencies. These "top 10" reports, as they have come to be called, are an invaluable source of information to this Committee and others in Congress. They provide an excellent perspective on the highest priority challenges facing each agency and serve as a barometer on progress toward resolving them. Agencies would have the opportunity to respond to the IG submissions with their own assessments. Since not all of these "top 10" challenges may be addressed in the agency's Performance Report, the inclusion of the IG statement and any agency comments will provide a fuller picture of the agency's progress in the consolidated report.

The consolidated report must include a transmittal letter by the agency head assessing the completeness and reliability of performance and financial data used in the report and what the agency is doing to remedy any material data inadequacies. The bill amends GPRA to apply the same requirement to Performance Reports if they are not incorporated into the consolidated report. Reviews by agency IGs and the General Accounting Office (GAO) repeatedly show that most agencies have great difficulty producing reliable performance data. As Senator Lieberman recently observed of the FY 1999 GPRA Performance Reports, "a major concern is the validity of the data some agencies are relying upon in their initial reports, and we need to ensure that improvements are made." The agency head assessments are a good vehicle to find out where agencies stand on data issues, what challenges they face in obtaining valid data, and to hold them accountable for needed improvements.

Financial information, as well as performance information, must be reliable and consistently reported. Where information is outdated, its usefulness is limited. For instance, included in the financial statements for the Social Security Administration and the Department of Health and Human Services is information on the Social Security Trust Funds and Medicare (Part A), including dates when expenditures were projected to exceed contributions and dates when the funds were projected to be exhausted. Soon after those financial reports were issued, the trustees for Social Security and Medicare issued more current information that contained significant differences from the information and projections contained in the Financial Report. Such inconsistent reporting is confusing to the Congress and the public and reduces confidence in the credibility of the government's financial report. The Committee hopes that these agencies will work to ensure that they are using the most current information available in their financial statements.

#### IV. LEGISLATIVE HISTORY

S. 2712 was introduced on June 12, 2000, by Chairman Thompson on behalf of himself and Senator Lieberman. The Committee on Governmental Affairs considered the bill on June 14, 2000, and ordered the bill reported by voice vote.

## V. SECTION-BY-SECTION ANALYSIS

Section 1 provides that the bill may be cited as the “Reports Consolidation Act of 2000.”

Section 2(a) contains Congressional findings to the effect that: (1) existing law imposes numerous financial and performance management reporting requirements on agencies; (2) these separate requirements can cause duplication of effort and result in uncoordinated reports containing information in a form that is not completely useful; and (3) pilot projects conducted by agencies under the direction of OMB demonstrate that single consolidated reports providing an analysis of verifiable financial and performance management information produce more useful reports with greater efficiency.

Section 2(b) states that the purposes of the bill are to: (1) authorize and encourage the consolidation of financial and performance management reports; (2) provide financial and performance management information in a more meaningful and useful format; (3) improve the quality of agency financial and performance management information; and (4) enhance coordination and efficiency in the reporting of financial and performance management information.

Section 3(a) of the bill adds a new section 3516 to title 31, United States Code, to provide permanent reports-consolidation authority.

Subsection (a)(1) of the new 3516 of title 31 provides that, with the concurrence of OMB, the head of an executive agency may adjust the frequency and due dates of, and consolidate into an annual report to the President, the Director of OMB, and the Congress any statutorily required reports described in subsection 3516(a)(2). The consolidated report shall be submitted to the President, the Director of OMB, and appropriate committees and subcommittees of the Congress not later than 150 days after the end of the agency’s fiscal year.

Subsection 3516(a)(2) provides that the following reports could be consolidated into the report referred to in subsection (a)(1):

(A) Any report by an agency to the Congress, OMB, or the President under section 1116 and chapters 9, 33, 35, 37, 75, and 91 of title 31, United States Code;

(B) The biennial financial management improvement plan by the Secretary of Defense under 10 U.S.C. § 2222 and the annual report of the Attorney General under 28 U.S.C. § 522;

(C) Any other statutorily required report pertaining to an agency’s financial or performance management if the head of the agency determines that its inclusion would enhance the usefulness of the reported information and consults in advance with the Senate Committee on Governmental Affairs, the House Committee on Government Reform, and any other Congressional committee of jurisdiction.

Subsection 3516(b) requires that if a consolidated report incorporates the agency’s annual GPRA Performance Report, it shall be called the “Performance and Accountability Report.”

Under subsection 3516(c), a consolidated report that does not incorporate the agency’s GPRA Performance Report must contain a summary of the most significant portions of the Performance Report.

Subsection 3516(d) requires that the consolidated report include a summary and assessment by the agency's IG of the most serious management and performance challenges facing the agency and the agency's progress in addressing them. The IG's statement must be provided to the agency head at least 30 days prior to the due date of the report. The agency head may comment on the IG's statement, but may not change it.

Subsection 3516(e) requires that the agency head include a transmittal letter for the consolidated report that assesses the completeness and reliability of the performance and financial data used in the report. The assessment must describe any material inadequacies in the completeness and reliability of the data and steps to resolve them.

Subsection 3(b) of the bill contains a special rule that permits agencies to submit consolidated reports for FY 2000 and 2001 not later than 180 days after the end of the agency's fiscal year for those two years.

Section 4 of the bill amends section 3515 of title 31, United States Code, to require that annual reports on audited financial statements under the Chief Financial Officers Act be submitted to Congress at the same time they are submitted to OMB. This subsection also repeals several transition provisions of 31 U.S.C. § 3515 that have now been executed. Finally, section 4 makes conforming changes to 31 U.S.C. § 3521 to reflect the repeal of the transition provisions.

Section 5(a) of the bill amends 31 U.S.C. § 1116(a) to require that GPRA Performance Reports be submitted not later than 150 days after the end of an agency's fiscal year. This requirement would not apply to Performance Reports for FY 2000 and 2001.

Section 5(b) rewrites 31 U.S.C. § 1116(e). It eliminates the current language authorizing agencies to include GPRA Performance Reports in their annual financial statements under section 3515 of title 31. This language is superfluous in view of the reports-consolidation authority provided elsewhere in the bill. Section 5(b) substitutes a new requirement that GPRA Performance Reports contain an assessment by the agency head of the completeness and reliability of the report's performance data, which describes any material data inadequacies and what is being done to resolve them. This requirement would not apply to Performance Reports included in consolidated reports under 31 U.S.C. § 3516 (as added by the bill). Instead, the parallel requirement in section 3516(e) would apply.

## VI. ESTIMATED COST OF LEGISLATION

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, June 22, 2000.*

Hon. FRED THOMPSON,  
*Chairman, Committee on Governmental Affairs,*  
*U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 2712, the Reports Consolidation Act of 2000.



If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is John R. Righter.

Sincerely,

STEVEN LIEBERMAN  
(For Dan L. Crippen, Director).

Enclosure.

#### CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

##### *S. 2712—Reports Consolidation Act of 2000*

Subject to the approval of the Office of Management and Budget, S. 2712 would authorize agencies to consolidate certain financial and performance reports required by law each year into one annual report. Reports eligible for consolidation under S. 2712 would include the audited financial statements required under the Chief Financial Officers Act and the performance reports required under the Government Performance and Results Act. The omnibus report would be due within 180 days of the end of the fiscal years 2000 and 2001, and within 150 days of the end of each fiscal year thereafter.

Because S. 2712 would neither eliminate nor modify any of the analytical requirements of these reports, CBO estimates that the savings to agencies that elect to consolidate them into a single report would be relatively minor. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply. S. 2712 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact is John R. Righter. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

#### VII. REGULATORY IMPACT

Pursuant to paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact that would be incurred in carrying out the bill. The Committee finds that enactment of the bill will not have significant regulatory impact.

#### VIII. CHANGES TO EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by S. 2712 as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

## UNITED STATES CODE

### TITLE 31

#### CHAPTER 11—THE BUDGET

\* \* \* \* \*

### § 1116. Program performance reports

(a) ~~[(No later than March 31, 2000, and no later than March 31 of each year thereafter,)]~~ *Not later than 150 days after the end of an agency's fiscal year*, the head of each agency shall prepare and submit to the President and the Congress, a report on program performance for the previous fiscal year.

\* \* \* \* \*

[(e) An agency head may include all program performance information required annually under this section in an annual financial statement required under section 3515 if any such statement is submitted to the Congress no later than March 31 of the applicable fiscal year.]

*(e)(1) Except as provided in paragraph (2), each program performance report shall contain an assessment by the agency head of the completeness and reliability of the performance data included in the report. The assessment shall describe any material inadequacies in the completeness and reliability of the performance data, and the actions the agency can take and is taking to resolve such inadequacies.*

*(2) If a program performance report is incorporated into a report submitted under section 3516, the requirements of section 351(e) shall apply in lieu of paragraph (1).*

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## CHAPTER 35—ACCOUNTING AND COLLECTION

\* \* \* \* \*

### Subchapter II—Accounting Requirements, Systems, and Information

\* \* \* \* \*

*3516. Reports consolidation.*

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### § 3515. Financial statements of agencies

(a) Not later than March 1 of 1997 and each year thereafter, the head of each executive agency identified in section 901(b) of this title shall prepare and submit to the *Congress and the* Director of the Office of Management and Budget an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the agency.

\* \* \* \* \*

[(e) The Director of the Office of Management and Budget may waive the application of all or part of subsection (a) for financial statements required for fiscal years 1996 and 1997.

[(f) Not later than March 1 of 1995 and 1996, the head of each executive agency identified in section 901(b) of this title and designated by the Director of the Office of Management and Budget shall prepare and submit to the Director of the Office of Management and Budget an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the agency.

[(g) Not later than March 31 of 1995 and 1996, for executive agencies not designated by the Director of the Office of Management and Budget under subsection (f), the head of each executive agency identified in section 901(b) of this title shall prepare and submit to the Director of the Office of Management and Budget a financial statement for the preceding fiscal year, covering—

[(1) each revolving fund and trust fund of the agency; and

[(2) to the extent practicable, the accounts of each office, bureau, and activity of the agency which performed substantial commercial functions during the preceding fiscal year.

[(h) For purposes of subsection (g), the term “commercial functions” includes buying and leasing of real estate, providing insurance, making loans and loan guarantees, and other credit programs and any activity involving the provision of a service or thing for which a fee, royalty, rent, or other charge is imposed by an agency for services and things of value it provides.]

\* \* \* \* \*

#### **§3516. Reports consolidation**

(a)(1) *With the concurrence of the Director of the Office of Management and Budget, the head of an executive agency may adjust the frequency and due dates of, and consolidate into an annual report to the President, the Director of the Office of Management and Budget, and Congress any statutorily required reports described in paragraph (2). Such a consolidated report shall be submitted to the President, the Director of the Office of Management and Budget, and to appropriate committees and subcommittees of Congress not later than 150 days after the end of the agency’s fiscal year.*

(2) *The following reports may be consolidated into the report referred to in paragraph (1):*

(A) *Any report by an agency to Congress, the Office of Management and Budget, or the President under section 1116, this chapter, and chapters 9, 33, 37, 75, and 91.*

(B) *The following agency-specific reports:*

(i) *The biennial financial management improvement plan by the Secretary of Defense under section 2222 of title 10.*

(ii) *The annual report of the Attorney General under section 522 of title 28.*

(C) *Any other statutorily required report pertaining to an agency’s financial or performance management if the head of the agency—*

(i) *determines that inclusion of that report will enhance the usefulness of the reported information to decision makers; and*

(ii) *consults in advance of inclusion of that report with the Committee on Governmental Affairs of the Senate, the Committee on Government Reform of the House of Representatives, and any other committee of Congress having jurisdiction with respect to the report proposed for inclusion.*

(b) *A report under subsection (a) that incorporates the agency’s program performance report under section 1116 shall be referred to as a performance and accountability report.*

(c) *A report under subsection (a) that does not incorporate the agency’s program performance report under section 1116 shall con-*

tain a summary of the most significant portions of the agency's program performance report, including the agency's success in achieving key performance goals for the applicable year.

(d) A report under subsection (a) shall include a statement prepared by the agency's inspector general that summarizes what the inspector general considers to be the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. The inspector general shall provide such statement to the agency head at least 30 days before the due date of the report under subsection (a). The agency head may comment on the inspector general's statement, but may not modify the statement.

(e) A report under subsection (a) shall include a transmittal letter from the agency head containing, in addition to any other content, an assessment by the agency head of the completeness and reliability of the performance and financial data used in the report. The assessment shall describe any material inadequacies in the completeness and reliability of the data, and the actions the agency can take and is taking to resolve such inadequacies.

\* \* \* \* \*

#### **§ 3521. Audits by agencies**

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(f)**[(1)]** For each audited financial statement required under **[subsections (a) and (f)]** *subsection (a)* of section 3515 of this title, the person who audits the statement for purposes of subsection (e) of this section shall submit a report on the audit to the head of the agency. A report under this subsection shall be prepared in accordance with generally accepted government auditing standards.

**[(2)]** Not later than June 30 following the fiscal year for which a financial statement is submitted under subsection (g) of section 3515 of this title, the person who audits the statement for purpose of subsection (e) of this section shall submit a report on the audit to the head of the agency. A report under this subsection shall be prepared in accordance with generally accepted government auditing standards.**]**

\* \* \* \* \*